

Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 SIG-03 EUR-12 EA-12 NEA-11 IO-14
AID-05 CIAE-00 COME-00 EB-08 FRB-01 INR-10
NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07 CEA-01
L-03 H-02 PA-02 /164 R

DRAFTED BY:ARA/CAR:RJSURBER

APPROVED BY:ARA/CAR:JCGRIFFITH

-----085786 291144Z /14/12

R 212234Z JUN 78

FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

AMEMBASSY OTTAWA

AMEMBASSY BRASILIA

AMEMBASSY BOGOTA

AMEMBASSY SAN JOSE

AMEMBASSY PARIS

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AMEMBASSY SANTO DOMINGO

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USOECD ALSO FOR EMBASSY

C O R R E C T E D COPY(PARA 6, LINE 20 OMITTED)

E.O. 11652:N/A

TAGS: XL, XR, EFIN, EAID, ECON

SUBJECT:OPENING STATEMENTS AT WORLD BANK CARIBBEAN GROUP
MEETING JUNE 19

1. THERE FOLLOWS SUMMARIES OF MAJOR ADDRESSES MADE BEFORE
OPENING SESSION OF WORLD BANK GROUP MEETING JUNE 19.

2. WORLD BANK STATEMENT:

THE WORLD BANK REPRESENTATIVE IDENTIFIED THREE TASKS BEFORE
THE GROUP: 1) THE NEED TO DEFINE THE MAGNITUDE AND SPECIAL
FORMS OF EXTERNAL FINANCIAL ASSISTANCE REQUIRED TO
STABILIZE THE REGION'S ECONOMIES AND ACCELERATE DEVELOPMENT;
2) TO SEEK COOPERATION IN SOLVING PROBLEMS IN A REGIONAL
CONTEXT; AND 3) TO ADDRESS SPECIFIC COUNTRY PROBLEMS AND
PROGRAMS. THE WORLD BANK ESTIMATED THAT AN ANNUAL AVERAGE
OF 650 MILLION DOLLARS IN EXTERNAL OFFICIAL CAPITAL
ASSISTANCE WILL BE REQUIRED FOR THE PERIOD 1978 THROUGH
1980, MOSTLY ON CONCESSIONAL TERMS. AS A TRANSITIONAL
MEASURE, THE WORLD BANK PROPOSED A SPECIAL,COORDINATED
EFFORT BY DONORS TO FINANCE SUCH COSTS. THIS SPECIAL EFFORT,
THE CARIBBEAN DEVELOPMENT FACILITY, WOULD COORDINATE ITS
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EFFORTS CLOSELY WITH THE IMF. THE WORLD BANK BELIEVES
THAT ADDITIONAL EXTERNAL TECHNICAL SUPPORT THAT MAY BE
AVAILABLE WILL HAVE ITS GREATEST IMPACT AT THE REGIONAL
LEVEL. THE WORLD BANK REPRESENTATIVE CONCLUDED BY URGING
ALL DONORS TO BE AS FORTHCOMING AND SPECIFIC AS POSSIBLE
DURING THE SESSIONS AND THAT THE COUNTRIES OF THE
CARIBBEAN REGION BE EQUALLY FORTHCOMING IN INDICATING
THEIR WILLINGNESS TO TAKE SELF-HELP MEASURES.

3. STATEMENT BY THE CARIBBEAN DEVELOPMENT BANK:

THE WORLD BANK'S CARIBBEAN GROUP REPRESENTS A PROGRAM
OF EXTRAORDINARY ASSISTANCE OVER FIVE YEARS, AFTER WHICH
THE REGION SHOULD BE ABLE TO REVERT TO MORE NORMAL LEVELS
OF EXTERNAL AID AS A RESULT OF SUBSTANTIAL IMPROVEMENTS
IN THE FISCAL AND BALANCE OF PAYMENTS POSITIONS OF THE
REGION'S COUNTRIES. THE KEY FACTORS TO BE KEPT IN MIND
ARE: FIRST, ALL POTENTIAL BENEFICIARIES NEED INCREASED
PROJECT FINANCING ON TERMS MUCH IMPROVED OVER THOSE NOW
AVAILABLE. SECOND, THERE IS A VERY URGENT NEED FOR
BALANCE OF PAYMENTS SUPPORT INVOLVING COMBINATIONS OF
SHORT, MEDIUM AND LONG-TERM ASSISTANCE TO THE MORE
DEVELOPED COUNTRIES. SUCH LONG-TERM ASSISTANCE SHOULD
COMBINE BOTH PROJECT AND PROGRAM ASSISTANCE. THIRD, THE
LESS DEVELOPED COUNTRIES OF THE REGION REQUIRE HIGHLY
CONCESSIONAL TERMS OF FINANCING IN SUPPORT OF THEIR
DEVELOPMENT PROJECTS AND PROGRAMS. THESE COUNTRIES IN

PARTICULAR NEED MORE DEVELOPMENT ASSISTANCE IN THE FORM OF CAPITAL GRANTS AND SOFT LOANS, THE LATTER ON TERMS AS CLOSE AS POSSIBLE TO THOSE AVAILABLE THROUGH THE IDA, THE EDF, AND THE IDB. THE TERMS ON WHICH THE CDB RECEIVES A LARGE PORTION OF ITS SOFT FUND RESOURCES DO NOT ENABLE THE BANK TO PROVIDE ITS LDC MEMBERS WITH SUCH TERMS. FOURTH, THAT RESOURCES BE DIRECTED TO SUPPORT ACTIVITIES WHICH WILL STRENGTHEN REGIONAL INTEGRATION IN THE CARIBBEAN. EXTERNAL AID AND UNCLASSIFIED

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TECHNICAL ASSISTANCE FLOWS SHOULD BE USED IN A MANNER TO ENCOURAGE CLOSER ECONOMIC COOPERATION BETWEEN THE NATIONS OF THE CARIBBEAN BASIN. FINALLY, THE CDB HOPES THAT POTENTIAL DONORS WILL PROVIDE MUCH OF THE EXPECTED ADDITIONAL RESOURCES IN THE FORM OF PROGRAM LOANS AND THAT THEY WILL BE ABLE TO UNTIE THE RESOURCES FOR THE PURPOSES OF PROCUREMENT UNDER THE PROGRAM.

4. STATEMENT BY BARBADIAN MINISTER OF EXTERNAL AFFAIRS HENRY FORDE:

MINISTER FORDE AGAIN SPOKE FOR THE COUNTRIES OF THE COMMONWEALTH CARIBBEAN. HE REVIEWED HIS PRESENTATION TO THE DECEMBER MEETING WHICH OUTLINED THE AREA'S INCREASING FINANCIAL DIFFICULTIES AND STRESSED THE NEED FOR MASSIVE

CONCESSIONAL ECONOMIC ASSISTANCE OVER THE SHORT, MEDIUM AND LONG TERM. HE PRAISED THE QUALITY OF THE WORKING PAPERS PREPARED BY THE IFI'S FOR THE JUNE MEETING, AND SUGGESTED THAT THE WORLD BANK'S ESTIMATE OF NEED FOR AN ANNUAL AVERAGE OF 650 MILLION DOLLARS IN GROSS OFFICIAL CAPITAL INFLOWS AS "THE MINIMUM REQUIRED TO ACHIEVE OUR AGREED GOALS." HE WELCOMED THE PROPOSED CARIBBEAN DEVELOPMENT FACILITY AS A KIND OF PROGRAM ASSISTANCE AND STRESSED THE IMPORTANCE OF SUBSTANTIALLY INCREASED CAPITAL FLOWS IN BOTH PROJECT AND PROGRAM ASSISTANCE. HE ASKED THAT ASSISTANCE BE AS CONCESSIONAL AS POSSIBLE BECAUSE THE COMMONWEALTH CARIBBEAN GOVERNMENTS WANTED TO ACCELERATE THEIR ECONOMIC AND SOCIAL DEVELOPMENT EXPENDITURES WITHOUT PRECIPITATING EXTERNAL DEBT PROBLEMS.

5. STATEMENT BY THE U.K.:

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THE UK SUPPORTS THE CARIBBEAN GROUP BECAUSE FIRST, IT BELIEVES THAT COOPERATION AND COORDINATION AMONGST RECIPIENTS AND DONORS IS ESSENTIAL AND SECOND, THAT IT BELIEVES MONEY SHOULD BE MADE AVAILABLE TO THE CARIBBEAN

FROM NEW OR RELATIVELY NEW DONORS. THE UK VIEW OF THE CARIBBEAN COINCIDES IN MANY WAYS WITH THAT EXPRESSED IN THE WORLD BANK PAPER ON EXTERNAL FINANCING REQUIREMENTS. THERE IS COMPLETE AGREEMENT ON THE NEED TO PROVIDE EMERGENCY SUPPORT FOR THE MORE DEVELOPED COUNTRIES, PARTICULARLY JAMAICA AND GUYANA. FURTHER, THE UK BELIEVES THE BANK IS CORRECT IN PROPOSING ONLY A MODEST INCREASE IN ASSISTANCE TO THE LESS DEVELOPED OF THE EASTERN CARIBBEAN, BELIEVING THEIR NEED IS NOT SO MUCH FOR MONEY BUT RATHER FOR MORE EXPERTISE, HIGHER STANDARDS OF MANAGEMENT, ETC. MOREOVER, THE EASTERN CARIBBEAN IS THE AREA IN WHICH SCHEMES FOR COORDINATED ECONOMIC DEVELOPMENT COULD HAVE THE GREATEST IMPACT AND WHERE REGIONAL PROJECTS SHOULD BE CONSIDERED. WITH REGARD TO THE SO CALLED "GROUP THREE" COUNTRIES, THE UK FINDS IT DIFFICULT TO MAKE A JUDGMENT ON THE LARGE FIGURES MADE BY THE BANK FOR AID TO THIS PARTICULAR GROUP. THE UK DOUBTS THE USEFULNESS OF SPEAKING OF A CARIBBEAN "GAP" AND BELIEVES IT IS MORE APPROPRIATE TO PLEDGE ITS ASSISTANCE IN A MANNER WHICH WOULD ALLOW ITS ALLOCATIONS TO REMAIN FLEXIBLE AND RESPONSIVE TO PERCEIVED NEEDS. WITH REGARD TO JAMAICA, THE UK CONFIRMED THAT IF AN ADEQUATE PACKAGE OF FINANCIAL SUPPORT FROM BILATERAL DONORS CAN BE PUT TOGETHER TO SUPPLEMENT THE JAMAICA/IMF AGREEMENT, IT WILL MAKE AVAILABLE ADDITIONAL ASSISTANCE BY WAY OF BALANCE OF PAYMENTS SUPPORT FOR JAMAICA, IN ADDITION TO THE TWENTY MILLION POUNDS ALREADY PROVIDED. THIS

ADDITIONAL SUM WOULD BE EQUIVALENT TO EIGHT MILLION DOLLARS OVER THE NEXT TWELVE MONTHS AND COULD REACH TEN MILLION DOLLARS IF OTHER DONORS INCREASED THEIR PLEDGES. OVER THE PAST FIVE MONTHS, THE UK HAS COMMITTED OR OFFERED 56.6 MILLION DOLLARS TO JAMAICA
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AND GUYANA, ALL OF IT ESSENTIALLY QUICK DISBURSING BALANCE OF PAYMENTS AID. THE UK BELIEVES THAT THIS CAN PROPERLY BE REGARDED AS A CONTRIBUTION TO THE CDF. WITH A 12.6 MILLION DOLLAR COMMITMENT TO GUYANA, AS WELL AS ITS EIGHT MILLION DOLLAR COMMITMENT TO JAMAICA, THE UK BELIEVES IT CAN CLEARLY STATE THAT BRITAIN HAS PLEDGED 16.5 PERCENT OF THE CDF'S TOTAL OF 125 MILLION DOLLARS. IF THE CDF FAILS TO REACH ITS 125 MILLION DOLLAR GOAL, THE UK WOULD ONLY BE PREPARED TO INCREASE ITS ASSISTANCE TO THE FACILITY marginally. THEREFORE, IT REITERATES ITS BELIEF THAT THERE IS A NEED FOR NEW OR RELATIVELY NEW DONORS TO ASSUME AN APPROPRIATE SHARE OF THAT AMOUNT. THE UK BELIEVES THAT THERE ARE TWO COMPELLING ARGUMENTS FOR PARTICIPATING IN THIS EFFORT. THE FIRST IS ECONOMIC IN THAT WE ALL HAVE A MUTUAL INTEREST IN WORLD PROSPERITY AND ECONOMIC GROWTH. THE SECOND ARGUMENT IS POLITICAL. THERE IS A RESPONSIBILITY ON DONORS BOTH INSIDE AND OUTSIDE THE CARIBBEAN TO SUPPORT THAT REGION'S DEMOCRATIC

INSTITUTIONS AT A TIME WHEN THEY ARE UNDER SEVERE ECONOMIC STRAIN.

6. THE CANADIAN STATEMENT:

THE CANADIAN REPRESENTATIVE DESCRIBED PARTICIPATION IN THE WORLD BANK GROUP AS A "POSITIVE POLITICAL ACT." HE DESCRIBED THE WORLD BANK EFFORT AS AN EXPERIMENT IN INTERNATIONAL COOPERATION. THERE WERE, HOWEVER, DEFINITE LIMITATIONS ON WHAT COULD BE ACHIEVED THIS WEEK. HE IDENTIFIED THREE FACTORS WHICH LED TO THE GROUP'S FORMATION: 1) ENCOURAGEMENT OF REGIONAL COOPERATION; 2) ENCOURAGEMENT OF ADDITIONAL FUNDING FOR THE REGION; AND 3) THE MOST DIFFICULT, PROMOTION OF SECTORAL OR EVEN BROADER ECONOMIC COOPERATION. WITH REGARD TO THE FIRST UNCLASSIFIED

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FACTOR, CANADA SEES CONSIDERABLE MERIT IN REGULARIZING CONSULTATIONS WITHIN THE GROUP AND THE VARIOUS SUB-GROUPS, LOOKING TOWARDS A COMPREHENSIVE REVIEW OF NATIONAL PROGRAMS AND PROPOSALS IN THE REGION AND A GREATER DEGREE OF COORDINATION BETWEEN DONOR AND RECIPIENT NATIONS. WITH REGARD TO THE SECOND POINT, CANADA BELIEVES THE MAGNITUDE OF ANY ADDITIONALITY NEEDS TO BE VIEWED IN THE CONTEXT OF CURRENT FLOWS INTO THE REGION. CANADA, ONE OF THE LARGEST DONORS IN THE CARIBBEAN REGION, IS PREPARED TO CONTRIBUTE TEN MILLION CANADIAN DOLLARS TO THE CDF. THIS CONTRIBUTION WOULD BE MADE THROUGH BILATERAL ASSISTANCE PROGRAMS TO FUND LOCAL COST AND COST OVERRUNS PRIMARILY FOR CANADIAN ASSISTANCE PROJECTS AND WOULD BE MADE AVAILABLE TO THOSE COUNTRIES WHICH THE IMF IDENTIFIES AS IN NEED OF URGENT BALANCE OF PAYMENTS SUPPORT. CANADA COULD NOT GUARANTEE AMOUNTS IN FOLLOWING YEARS, BUT EXPRESSED CONFIDENCE THERE WOULD BE CONTINUING CANADIAN SUPPORT FOR THE CDF. THE GOC'S CONTRIBUTION WOULD BE SUBJECT TO CANADIAN CONTROL AND WOULD INVOLVE LONG-TERM CREDITS AND GRANTS FOR FOOD STUFFS AND COMMODITIES. THE CDF SHOULD BE REGARDED AS A SHORT-TERM EFFORT WITH A MAXIMUM LIFE OF FIVE YEARS, RELATED DIRECTLY TO THE DEVELOPMENT PLANS OF RECIPIENT GOVERNMENTS. WITH REGARD TO THE THIRD FACTOR, THE GOC BELIEVES REGIONAL COOPERATION IS ESSENTIAL. THE GOC REGARDS THE CARIBBEAN DEVELOPMENT BANK AS A MAJOR CONDUIT FOR MULTILATERAL DEVELOPMENT ASSISTANCE. CANADA SUPPORTS THE ESTABLISHMENT OF A MULTI-DONORS TECHNICAL ASSISTANCE FUND AND, IN PRINCIPLE, WOULD CONSIDER A CONTRIBUTION UNDER THE AEGIS OF THE CDB. CONTRIBUTIONS TO SUCH A FUND WOULD IDEALLY BE MADE AVAILABLE TO RECIPIENTS ON TERMS AND CONDITIONS IDENTICAL TO THE CDB'S. CANADA ALSO URGES THAT A MULTILATERAL MECHANISM FOR CHANNELING AND COORDINATING TECHNICAL ASSISTANCE TO NON-CDB MEMBERS BE USED IN PREFERENCE TO EXISTING CHANNELS.

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7. FULL TEXT OF GOVERNOR GILLIGAN'S REMARKS SENT
SEPTTEL. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 sep 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS, DEVELOPMENT BANKS, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE158280
Document Source: ADS
Document Unique ID: 00
Drafter:
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D780271-0238
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197806115/baaaezak.tel
Line Count: 281
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: 25324f7e-c288-dd11-92da-001cc4696bcc
Office: ORIGIN ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2177979
Secure: OPEN
Status: NATIVE
Subject: OPENING STATEMENTS AT WORLD BANK CARIBBEAN GROUP MEETING JUNE 19
TAGS: EFIN, EAID, ECON, XL, XR, IBRD, CARIBBEAN GROUP, CAIBBEAN GROUP
To: BUENOS AIRES OTTAWA MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/25324f7e-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014